Self-Expanding Consumerism?

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In *Unending Capitalism*, Karl Gerth provides a cultural history of consumption in China from 1949 through the 1970s. Most fascinating is how people understood the meaning of particular goods and consumption practices: the changing status of watch brands, Soviet fashion, department stores, queuing, or the Mao-badge fad. The captured voices of ordinary Chinese are rich. Gerth’s argument, however, goes further, using “the lens of consumerism” as “a new framework for understanding the entire political and economic reorganization of China during the post-1949 period” (4). As this is a roundtable with many reviews, I will narrow my focus on Gerth’s shift from cultural history to political economy, which raises theoretical issues especially concerning the definition of capitalism and the role of consumption within the political economy of the PRC.

Gerth’s definition of capitalism amounts to what I call the “set of attributes” theory of capitalism, within which capitalism is defined by the appearance of a set of attributes or practices. Gerth provides a familiar list: consumerism, private enterprise, markets, commodity prices, wage labor, and competition (6-7). However, most of these attributes long predated capitalism’s emergence, and unless one wants to treat capitalism as a transhistorical category, the existence of such attributes alone should be the beginning of material analysis, not the end. Rather, a material analysis of a society should look to the relationships between these attributes. In that sense, capitalism isn’t a set of attributes so much as a relational logic that, like a magnetic field, rearranges and aligns often preexisting practices and institutions while giving birth to new ones. A comprehensive analysis of PRC political economy is beyond the scope of this review, but note here, even Gerth seems to admit that the logic of PRC political economy isn’t a capitalist logic of profit but a state logic of development. As he states, “State consumerism was a consequence of the state’s intense focus on accumulating more capital and funneling it towards key industries” (44). As Gerth continues in the book, the goal of accumulation often drops out, and the formulation is left as “capital accumulation.” But the goal of accumulation is crucial in defining capitalism as a separate mode of production, for which accumulation is for accumulation’s sake, constituting a very different logic. We can argue which is more efficient or more just, but clearly if the PRC had been dominated by a capitalist logic of profit organized through a competitive market, the social and economic dynamics and outcomes would have been markedly different.

That consumption and the desires of consumption escapes this state-driven logic to some extent is not surprising; nonetheless, consumption remains relatively small and circumscribed in its role under the dominant developmental logic of the PRC state. While the PRC state made use of capitalistic practices, such as wage labor, markets, prices, money, internal consumption, and the like, the driving or dominant logic was a state logic of industrial development in competition with imperialist powers. In fact, as a society of fragmented markets, which were for the most part not price-setting markets, it was only at the level of the state that there was a logic that gave coherence to the political economy of PRC society, and even then, that coherence was rough and intermittent at best. The necessity of this fragmentation has its base in the logic of the PRC’s political economy, which did not aim at accumulation for accumulation’s sake, the accumulation of capital in the abstract, but instead the production of particular goods that the party believed would lead to the rapid industrialization of China. And, as is well known, this developmental logic relied on the fragmentation of society and markets in order to extract rural surplus to rapidly develop the urban industrial sector. Inequality is a clear result of this structure, just as inequality is the result of capitalism and other non-capitalist political economies; it cannot, in and of itself, be taken as evidence of capitalism. Contrary to Gerth’s assertion, such inequality was not a choice (21), but foundational to the economic structure. The unbalanced terms of trade between the separated rural and urban sectors necessitated a particular structure of consumer (as well as credit) goods. Further, a key dynamic in capitalism is the tendency of rates of profit to equalize; this is a crucial component of the law of value and an important role that financial markets play. However, the inequality of the PRC to which Gerth refers—strongly linked to the rural-urban divide—was the specific result of intentional structures of investment, planned prices, and fracturing of markets that militated against the equalization of rates of profits, for the goal was different.

In capitalist society, on the contrary, the dominant logic is organized not by the state, but by the operation of the law a value and accumulation for accumulation’s sake within competitive markets. This is not to say that in capitalist societies states and monopolies don’t intervene in and warp competitive markets; we all know they do. Rather, the law of value comprises the dominant logic, a logic missing in the PRC until its rise to dominance in the 1990s. This is a far more abstract logic, in which it doesn’t matter what particular commodity one produces as long as its production leads to profits, a competitive rate of profit, and capital accumulation. This logic reaches a level of abstraction unseen in non-capitalist societies (Sohn-Rethel calls it a “real abstraction”²), giving capitalism a coherence beyond other forms of society.

The key attribute in Gerth’s account, of course, is consumption, or as he calls it “self-expanding and compulsory consumerism.” Gerth sees three key aspects of consumption, which for him help to define it as a capitalist form of “consumerism.” The production of consumer goods, the discourses surrounding those goods, and the identities that form around them (7). The desire for things, the exchange of good, and the social
competition over their meaning and the status they help produce have all existed long before capitalism. It is not the existence of these phenomenon that determines a political economy, rather it is the way that these practices are integrated and arranged by the overall structuring logic of society that matters. Instead of taking the appearance of consumption as a sign of capitalism, we need to more closely analyze the role of consumption within the political economy of the PRC. Most familiar, the party recognized that if consumption fell too low because of high reinvestment rates, morale would suffer and so would work. Further, the political management of consumption was used to reward certain behaviors. But consumption also played a key role in the economic structure as well. As Matthew Lowenstein argues, the PRC state used small commodity sales (“merchandise huilong”) together with various forms of “credit huilong” to return cash to the state banking system. In my own research on a state-owned tea farm and factory in Guizhou Province, for example, we see that state tea sales were explicitly recognized as a form of huilong, functioning as a return flow of cash from the rural economy. Tea, always in shortage, was a very elastic good; if more was available, people would use excess cash to buy it. The state recognized this, and used tea sales to sop up cash that flowed unevenly into the rural economy from agricultural sales. Many other commodities played a similar role; Chen Yun, for example, pointed out pastries played this role. Consumption, here, accomplished a very specific goal: it helped to bring into balance the separated rural and urban economies of PRC society and dampen inflationary pressures. Likewise, as a shortage economy, ration coupons were used to confront this same problem, limiting inflationary pressures. Gerth argues that consumerism was “self-expanding” in the PRC in a similar way to how Marx used the term to describe capitalism. Marx, of course, investigated the valorization process, in which an initial investment of capital is expanded in the production process to end with a greater amount of capital—accumulation. But, importantly, Marx’s comment that value was “self-expanding” was ironic, denoting a form of appearance; value doesn’t magically expand, instead once one opens up the production process, one sees that that expansion relies on the exploitation of labor. In what sense is the

consumerism that Gerth finds self-expanding in a similar way as Marx argues about value? The ironic usage seems to disappear in Gerth’s account, and in its place, he suggests that the social competition over the status connected to things leads to the expansion of consumption.

Even if consumption was “self-expanding” in the more limited sense of competitive consumption, it did not expand very much from 1949 through 1978. However much desire there was—the construction of which Gerth describes well—it was not effective, as disposable incomes hardly grew. More difficult than money, as Gerth points out, was getting the ration coupons necessary for a product (21). Not only did household consumption not rise much over the Mao period, much of household income was used for food. The Engel coefficient, the percentage of household consumption that was used for food was quite high, remaining at almost 70% during the Mao period (at the high end even in global comparison to other developing nations), further reducing the funds available for the kind of consumption Gerth discusses. In capitalist societies, the Engel coefficient tends to decline with industrialization, as more income is set aside for the consumption of non-essentials. This did not happen during the Mao period, although it does decline dramatically in the Reform Period, falling to about 28 percent as of last year. More data on consumption would be useful in thinking through the role of consumption in post-1949 Chinese society, though Gerth sticks to a cultural history and provides statistical evidence for neither the expansion nor the role that he argues that consumption plays.

In the long run and under very specific material and geopolitical conditions, the gravity of global capitalism pulled China back into its orbit. Those specificities need to be investigated, not sidelined. Renewed attention to the political economy of the Mao period is commendable, allowing us to move beyond stale Cold War categories with deeper analysis based on a broadened set of sources, especially from outside the center. In doing so however, we need to avoid flattening complexities of social organization and social relations with a transhistorical use of categories.

1 Gerth calls socialist and egalitarian practices and rhetoric of the PRC “socialistic” (7). In contrast, I call the use of typical attributes of capitalism “capitalistic practices.” However, I am not arguing here that the PRC was “socialist” or on the path to communism during that time. I find the argument of the Chuang collective, that the PRC was a “developmental regime” that never cohered into a full mode of production, convincing. See Chuang, “Sorghum and Steel,” Chuang, 1 (2016): 13-210, (http://chuangcn.org/journal/one/sorghum-and-steel/).
3 Lowenstein, Matthew, "Return to the Cage: Monetary Policy in China’s First Five-Year Plan," Twentieth-Century China, vol. 44 no. 1, (2019): 53-74. “[C]redit huilong was composed of everything from cash fiscal receipts, to deposits and loan collections, to sales of insurance products and public debt” (54).
5 As Nicholas Lardy states, “[G]ains in personal consumption between 1957 and the late 1970s were remarkably small for an economy in which per capita output, measured in constant prices, had doubled” (849). Lardy, Nicholas R. “Consumption and Living Standards in China, 1978-83.” The China Quarterly, 100 (1984): 849–865.